

Jordan Times

An independent Arab political daily published by the Jordan Press Foundation

جوردان تايمز يومية سياسية مستقلة عن المؤسسة الصحفية الأردنية "الراي"



Today's Weather

It will be sunny weather with northwesterly moderate winds. In Aqaba it will be northerly moderate winds and calm seas.

	Overnight	Daytime
	Low	High
Amman	20	32
Aqaba	25	35
Deserts	25	39
Jordan Valley	25	35

Yesterday's high temperatures: Amman 31, Aqaba 38, Sunset tonight: 6:47 p.m. Sunrise tomorrow: 4:52 a.m.

In today's Jordan Times...

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 Four nations owe \$100b: Page 6
 Trust wins French Grand Prix: Page 7
 5 cops injured in Liverpool riots: Page 8

June 6, Number 1701 AMMAN, MONDAY JULY 6, 1981 — RAMADAN 5, 1401 Price: Jordan 100 fils; Syria 1 pound; Lebanon 1 pound; SAUDI Arabia 1.50 riyals; UAE 1.50 dirhams; Great Britain 25 pence

Likud 48; Labour 47 Begin edges ahead

TEL AVIV, June 5 (A.P.) — Prime Minister Menachem Begin edged ahead of the Labour Party by one parliamentary seat as vote-counting neared its close, Israel Radio said, and Mr. Begin urged his supporters to help him put together a coalition speedily.

Begin led Labour by 48 to 47 in the 120-member Knesset as the national election finished adding up the ballot and waited for the results to come from the 100,000 Israeli sailors overseas to come home, radio said.

67-year-old premier, Begin, said he would attend the summit in Alexandria if he had formed a government by then. This contrasted with earlier promises by Likud officials that Mr. Begin's government would take office by mid-July.

Mr. Begin's office said the premier did not withdraw his acceptance of the invitation issued at his summit with Mr. Sadat in the Sinai peninsular town of Ofira a month ago.

The meeting with Mr. Sadat, tentatively scheduled to take place in Alexandria, must be held this month since Mr. Sadat is to meet U.S. President Ronald Reagan early in August. Israel's next premier is to meet with Mr. Reagan in September, and the Alexandria summit is believed designed to coordinate positions before the two leaders go to the White House.

Under Israeli law, President Begin must give the premier-designate a maximum of 42 days to form a government. In 1977 when he was first elected premier, Mr. Begin formed a cabinet with the NRP and Agudat Israel in 13 days.

Mr. Peres scheduled no meetings with potential coalition partners beyond the preliminary talks he held with Mr. Dayan, Mr. Burg and Mr. Shapira last week.

Following are the last unofficial results of Israel's June 30 national election, together with results of the 1977 election:

	1981	1977
Labour	48	43
Religious Party at Israel (ultra religious)	47	32
Agudat Israel	6	12
Yisrael BaMachaneh HaEzra	4	4
Yisrael BaAliyah	3	—
Yisraeli (Moshe Dayan)	2	—
Yisraeli (Change)	1	—
Yisraeli (Arab communist)	2	—
Yisraeli (Oriental religious Jews)	4	—
	3	—
	120	—

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'France won't supply Israel with arms' French foreign minister urges Palestinian-Israeli dialogue

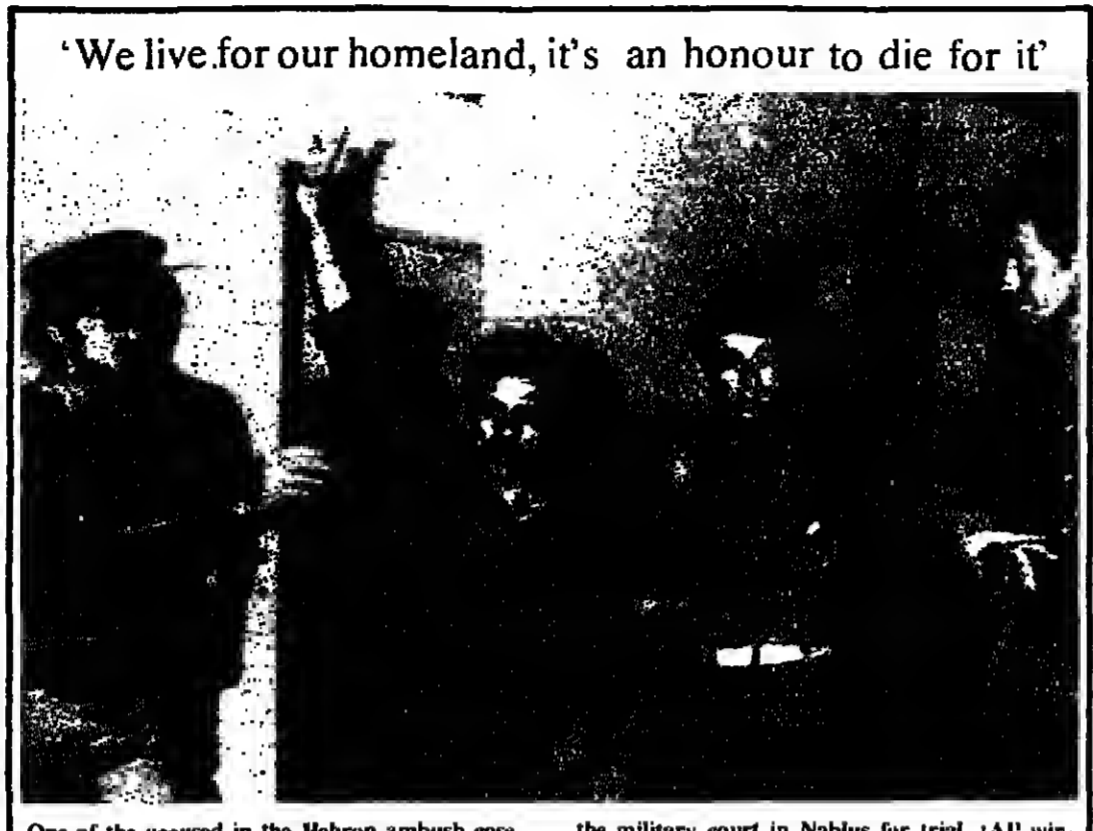
PARIS, July 5 (A.P.) — French Foreign Minister Michel Debré was quoted today as saying France would not supply arms to Israel "or any other country in a state of conflict" and advocated a dialogue between Israel and the Palestinians as essential to peace in the Middle East.

Mr. Debré said France would not supply arms to countries in a state of conflict and the policies of the United States would be dangerous to the security of the Middle East.

Mr. Debré was quoted by the independent Beirut newspaper An-Nahar as saying in an interview in Paris.

He said that arms contracts signed with the administration would be honored and restrictions on arms talks would not apply to the Gulf states, North Africa and Iraq, we get far from the area of conflict, we will not supply Israel with arms," Mr. Debré was quoted by the independent Beirut newspaper An-Nahar as saying in an interview in Paris.

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One of the accused in the Hebron ambush case, Mr. Yasir Zayadat, gives a victory sign as he enters the military court in Nablus for trial. (AP wirephoto)

4 Palestinians go on trial charged with Hebron ambush

TEL AVIV, July 5 (A.P.) — Four Palestinians went on trial in an Israeli military court today charged with killing six Jewish settlers and wounding 16 others in the occupied West Bank town of Hebron last year.

Adnan Jaber, 30, Yasser Zayadat, 30, Mohammad Shobaki, 32, and Taysir Taha, 28, were members of Al Fatah, the military wing of the Palestine Liberation Organisation (PLO), when they ambushed the Jewish settlers as they were returning from a meeting on May 2 last year.

The incident set off a wave of violence including the maiming of two West Bank mayors, Basam Shak'a of Nablus and Karim Khalaf of Ramallah, by unidentified Jewish attackers a month later. Mayors Fahd Qawasmeh of Hebron and Mohammad Milhem of Halhoul were expelled the day after the incident took place and are still in exile. Also exiled was a religious leader, Chief Qadi Rajab Tamimi of Hebron.

The trial opened in Nablus with a statement from the defence attorney contesting the military court's authority to try the accused, saying they were prisoners of war.

The defendants entered the courtroom flashing victory signs, and they said in a defiant statement that the Israeli settlers got what they deserved.

One of the accused, Mr. Shobaki, was sentenced to life imprisonment last month for the killing of two other Israelis a year earlier.

Mr. Zayadat, who comes from a small village near Hebron, allegedly trained other recruits in PLO camps before slipping back into Israel.

White House always kept alive contacts with PLO, paper says

LOS ANGELES, July 5 (R) — The United States has had secret contacts with the Palestine Liberation Organisation (PLO) for at least seven years and the Reagan Administration is maintaining them, the Los Angeles Times said today.

In a front-page story the newspaper said that despite saying negotiations with the PLO were prohibited, the United States had been in contact with it on subjects ranging from the safety of American diplomats to the chances of peace in the Middle East.

Quoting what it described as well-placed sources in Washington and Beirut, the report said the United States had been talking to the PLO more often than not.

The story was written by Times correspondent Doyle McManus, who recently returned from reporting on the Middle East.

It said the Reagan Administration had quietly continued low-level contacts with the PLO through the Central Intelligence Agency (CIA) and the U.S. embassy in Beirut.

The report said some talks had gone on through a secret "back channel," an established line of communication between the CIA and the PLO intelligence organisation identified as Jihaz Al Rasd.

The U.S. embassy in Beirut had made direct contact with PLO officials several times for talks on the security of the embassy, which is in a Palestinian-patrolled area, the report said.

It quoted "some sources" as saying these security talks had occasionally slipped into wide-ranging discussions on the situation in Lebanon.

Many American diplomats in the Middle East maintain privately that no peace is possible without the participation of PLO Chairman Yasser Arafat, the story went on.

It said the contacts began with clandestine talks initiated by former secretary of state Henry Kissinger in 1974. Mr. Kissinger was said to have sent a member of his

Arab League committee winds up talks Falange-Israeli ties still pose obstacles for Lebanese peace

Falange-Israeli ties still pose obstacles for Lebanese peace

BEITEDDIN, Lebanon, July 5 (Agencies) — Arab mediators seeking a political solution to Lebanon's six years of political violence said today they had failed to clear the major obstacle to a settlement—Israel's links with right-wing Falangists.

"This question has not been settled," Syrian Foreign Minister Abdul Halim Khaddam told reporters after a two-day conference here with the foreign ministers of Lebanon, Saudi Arabia and Kuwait.

Damascus is insisting on "closing the Israeli door" before getting down to detailed discussions on Lebanon's future.

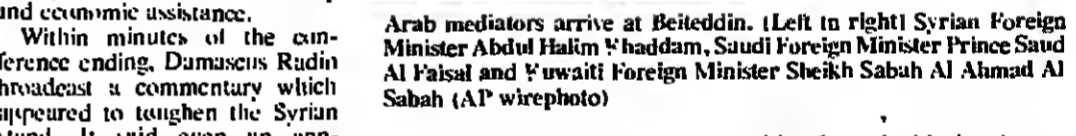
The Falangists, whose militia controls East Beirut and a large pocket of territory stretching up the Mediterranean coast, have so far refused to issue a statement severing ties with Israelis who have provided them with military and economic assistance.

Within minutes of the conference ending, Damascus Radio broadcast a commentary which appeared to toughen the Syrian stand. It said even an announcement from Falangist leader Bashir Gemayel breaking links with Israel would not "enable him to take part in deciding the fate of Lebanon."

"The bloodthirsty Gemayel... will not hesitate at any moment to make up excuses to take revenge on the security and stability of Lebanon when Israel gives the word," the radio said.

An official communiqué after the meeting in this mountain resort southeast of Beirut said the mediators had decided to adjourn further talks until July 25 to study a Lebanese government paper.

"It's not a dead end," Lebanese Foreign Minister Fouad Boutros told reporters.



Arab mediators arrive at Beiteddin. (Left to right) Syrian Foreign Minister Abdul Halim Khaddam, Saudi Foreign Minister Prince Saud Al Faisal and Kuwaiti Foreign Minister Sheikh Sabah Al Ahmad Al Sabah (AP wirephoto)

95 Falangist militiamen. "There are no militias in Zahle, only legitimate forces and restorers," said Minister of Public Works Elias Hrawi, after meeting with the following committee at Beiteddin. Mr. Hrawi was closely involved in the Zahle negotiations and sponsored the evacuation process in coordination with the Syrians.

Two Western correspondents who toured Zahle last Thursday, two days after the 95 non-native militiamen were escorted out of the city, found other Falangist militiamen manning checkpoints and running patrols in Zahle, which is still ringed by Syrian troops. Mr. Hrawi told reporters that he had extracted a "promise" from Mr. Khaddam that Syrian troops would soon withdraw from positions around Zahle. He did not elaborate.

Meanwhile, state-run Beirut Radio reported that a bomb went off in an empty aircraft of Trans Mediterranean Airways (TMA) at Beirut airport last night, causing slight damage.

Lord Carrington arrives in Moscow

MOSCOW, July 5 (R) — British Foreign Secretary Lord Carrington arrived in Moscow tonight to present to the Kremlin a European Common Market plan for an Afghan settlement that has already been dismissed by Soviet media as a non-starter.

The British foreign secretary was welcomed by Soviet Foreign Minister Andrei Gromyko, who greeted him warmly, and Mr. Gromyko's deputy, Igor Zemskov.

The new plan, worked out by the British and endorsed by the European Economic Community (EEC), will be the first major Western diplomatic effort in more than a year to bring about a withdrawal of Soviet forces from Afghanistan.

An estimated 89,000 Soviet troops poured into Afghanistan in December 1979 as a new pro-Moscow president took power, plunging East-West relations into

Trafalgar Square witnesses anti-PLO rally

LONDON, July 5 (R) — Thousands of British Jews and Christian sympathisers today attended an anti-Palestine Liberation Organisation (PLO) rally in Trafalgar Square, which was estimated at between 20,000 and 50,000.

Many of the speakers, who included prominent British politicians Peter Shore (Labour) and Sir Hugh Fraser (Conservative), urged the British Foreign Secretary, Lord Carrington, now president of the European Common Market's Council of Ministers, not to have talks with PLO Chairman Yasser Arafat.

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New Iraqi envoy due next week

AMMAN, July 5 (J.T.I.) — Iraq's newly appointed ambassador to Jordan, Mr. Ibrahim Sultan Al Shuja, is due here next week. It was learnt today, Mr. Shuja will replace Mr. Sabah Al Horani, who has served as his country's ambassador here since Feb. 19, 1980.

NEWS



Hashem Sabbagh behind the counter at the stock exchange



the percentages



the floor (Photos by Marianne Pearson)

Financial market looks to the future

The Amman Financial Market, to meet the growing needs of shareholders and companies, is planning to instal a computer -- which could eventually be linked with markets in London, New York and Tokyo.

By Phyllis Hughes
Special to the Jordan Times

AMMAN — A new computer system is being planned for the Amman Financial Market (stock exchange), which would make it one of the most advanced such markets in the world.

It is hoped that at least the first phase of the system will be in place when the exchange's new building opens in Amman next year.

The Amman stock exchange was formed in 1978 to meet the growing needs of companies here. In just three years it has listed 71 companies, with shares worth nearly JD 500 million and nearly 200,000 shareholders.

With such a vast volume of business that has grown so rapidly, Financial Market Chairman and General Manager Hashem Sabbagh decided there was an urgent need for new technology. At present all the transactions are dealt with manually, creating a massive paperwork load for the staff.

So the market called in an American expert working with the local computer firm systems, to draw up a feasibility study.

"Whatever happens we need a computer," Dr. Sabbagh confessed. "According to the final price, we can decide if we can afford to instal the entire system immediately or do it in stages."

By the end of this year the financial market will be in a position to put the contract out to international tender, so that part of the project will be completed when the new building opens later in 1982.

Business at the stock exchange has been steadily rising. In 1978 it handled JD 6 million, in 1979 JD 16 million and last year JD 42 million. This year the market had already handled JD 21 million by the end of May, indicating that it could break the JD 50 million barrier by the end of the year.

Vital

"Computerisation is vital for us," Dr. Sabbagh said. "We are looking to the future, when business will have increased even more, and we want to be ready for it."

He hopes that the first stage of computerisation will provide a system for the stock exchange floor so that deals that have been completed can be entered into the computer.

Then trading of shares and bids will be included in the system, and finally shareholders may be dealt with on the computer, although Dr. Sabbagh said this might take some time to achieve.

With the computers now available, the stock exchange could be linked with those in London, New York and Tokyo, so that international trading would be easy; but this is a hope for the future.

"At the moment we want to restrict deals to Jordan itself," Dr. Sabbagh said.

"We might then expand to take in the Middle East; but worldwide trading would not be possible for a long time."

The financial market has also traded bonds of local companies. The first such scheme was completed in 1979 by the Jordan Cement Factories Company, which issued bonds at an interest rate of 8.5 per cent. This was soon followed by Alia, the Royal Jordanian Airline, which is about to issue a second group of bonds.

Dr. Sabbagh travelled all over the world studying financial markets from New York to Thailand, Bombay to London, and Hong Kong to Tehran before he took the job of general manager. He says he hopes that during the next five years the Amman Financial Market can encourage the 300,000 Jordanians working abroad to invest their money in Jordan.

Month is not just for fasting

By Mohammad Ayish
Special to the Jordan Times

AMMAN — The fasting month of Ramadan does not mean merely abstention from eating or drinking, but has profound significance, and is an occasion in which several organised activities will take place, according to Minister of Awqaf and Islamic Affairs Kamel Al Sharif.

"The meanings of Ramadan transcend those of the basic requirements of fasting," Mr. Sharif said in a Jordan Times interview. But he said fasting would teach Muslims how to be more devoted, how to uphold virtue and even how to be good citizens.

"Fasting also trains them to transcend the materialistic life by living in an atmosphere of spirituality and devotion," Mr. Sharif said.

Ramadan is also a time for the rich to give alms (Zakat) to the poor, in accordance with the teachings of Islam. Although Muslims are not required to give alms during this month, most of them prefer to do so in acknowledgement of its holiness.

"Ramadan is a time when social cohesion and solidarity are better manifest in Islamic society," the minister of awqaf said. Alms given by Muslim fasters go either personally to the poor or to the Zakat Fund at the Ministry of Awqaf and Islamic Affairs.

The ministry will distribute the alms to the poor, according to certain rules mentioned in the holy Koran. In most cases, the fasting month is a time for giving as well as receiving zakat, which could be in the form of money or clothes, Mr. Sharif said.

Unique among the months of the Islamic lunar year, Ramadan is rich with special organised activities that "aim at making the

The meaning and practice of RAMADAN

a Jordan Times series



Kamel Al Sharif

people more attached to the teachings of Islam, particularly in this month," according to the acting director of preaching and guidance at the Ministry of Awqaf and Islamic Affairs, Mr. Sa'idi Jaber.

He told the Jordan Times that lectures on Islam in general, and Ramadan in particular, have been intensified during the month. All preachers and Koran reciters have been assigned certain jobs during the fasting month in order to maintain a spiritual atmosphere throughout the month in the mosques.

Mr. Jaber also said that well-known Islamic scholars and Koran reciters have been invited from Iraq, the United Arab Emirates and Egypt to visit Jordan and take part in the Ramadan observances.

Historic significance

Ramadan has derived its special importance among the lunar year's months not only from its being a fasting month, but from the historic events that have taken place during it throughout the Islamic history.

"On Ramadan 17, we will celebrate the occasion of the Battle of Badr, which marked the first Islamic victory over the unbelievers in Arabia," Mr. Sharif said. The name Badr is taken from a spring located on a trade route linking Mecca with Syria.

Another occasion, to be observed on Ramadan 20, is the conquest of Mecca. That event was a prelude to Islam's spread beyond the borders of Arabia to the outside world.

An occasion to be celebrated in mosques all over Jordan is Laylat Al Qadr -- the Night of Qadr -- in which Koran was revealed to the Prophet Mohammad. This night, Ramadan 26 is mentioned in the Koran in a brief but "rare" sura: "The holy Koran was revealed in the night of Qadr, which is worth more than 1,000 months. During this night, angels and the holy spirit descend into earth as peace will prevail until the outburst of dawn."

In mosques in Jordan and all over the Islamic World, the night will be celebrated by Koran readings and the recital of prayers.



Muslims are required to share their goods with the poor during the month

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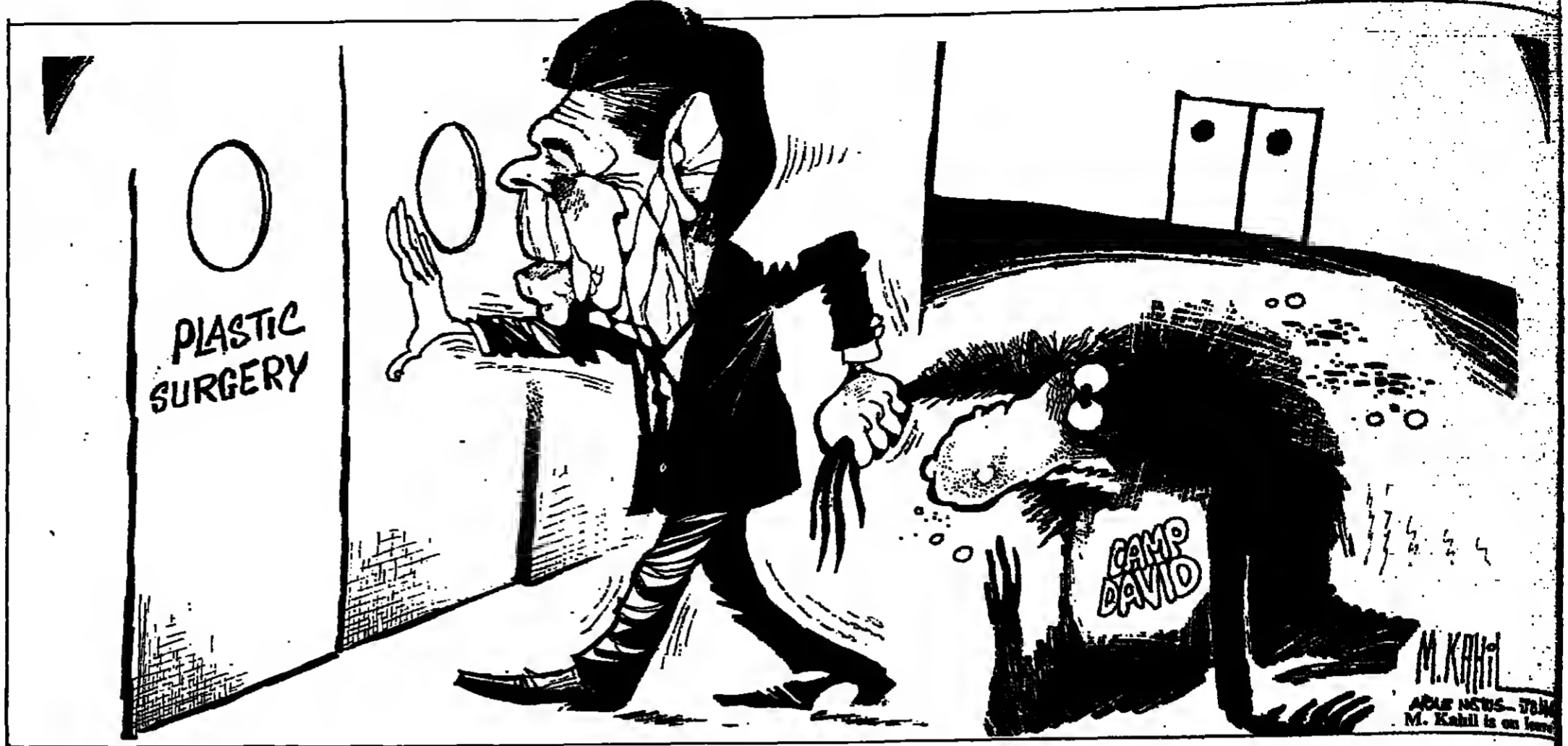
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 Telephone: 67171-2-3-4
 Telex: 2197 Al Rai JO. Cables: JORTIMES, Amman, Jordan.
 The Jordan Times is published daily except Fridays. Advertising and subscription rates are available from the Jordan Times advertising department.



Maturing well...

THE Middle Eastern policy of the new French government under President Francois Mitterrand is, like a good French cheese, maturing slowly. There are indications that the principles upon which the Mitterrand government's policy will be based are fairness and rationality. Witness, for example, the visit to Paris this week of the Palestine Liberation Organisation's political department head Mr. Farouk Qaddoumi. The French policy to continue cooperation with Iraq in nuclear technology is also welcomed as an act of political fortitude.

The latest statements by French Foreign Minister Claude Cheysson, to the effect that the Arab-Israeli conflict must be resolved on the basis of a dialogue between the people of Israel and Palestine, is further indication that the new team in charge of French foreign policy speaks with a reasonable voice. Yet there is also some silliness in the new French government's attitude. Particularly silly is the attitude that while the Palestinians are entitled to what the French, in their delightfully noncommittal manner, call a *patrie* (and what the rest of us call a state), they also refuse to recognise the PLO as the sole legitimate representative of the Palestinian people. To revive this archaic debate about the PLO's legitimacy in the second half of 1981 is a disquieting sign of vacillation and indecision. The United Nations, the Arab League, the Non-Aligned Movement and the Islamic Conference have all recognised the PLO as the only legitimate representative of the Palestinians, as has the overwhelming majority of Palestinians themselves. The fact is that Mr. Mitterrand was elected by 52 per cent of his people, yet we do not question the legitimacy of his speaking in the name of all Frenchmen and women. He should not fall into the legitimacy trap, but focus on substance instead.

ARAB PRESS COMMENTARY

AL RA'I: It is a diplomatic convention for heads of state to exchange congratulatory cables on their national independence days. Within the context of this convention, President Reagan received congratulatory cables on the anniversary of U.S. Independence Day.

This occasion brings to mind the "civilised concept of independence," which holds back those who have suffered to gain their independence from becoming party to infringements on the independence of others or from posing obstacles to those who are striving to gain their own independence.

This simple precept reveals the wide gap between successive U.S. administrations, including the present one, and the civilised concept of independence.

Clearly, U.S. practices towards the Arab Nation throughout the various phases of the Palestine question are uncivilised and denote a complete disregard for the right of the Palestinian people to independence. This outlook has ruined the reputation of the United States in the Arab World, which now conceives of the United States as being as abhorrent as Israel, if not even more so.

This image that the Arabs have formed of the United States was shaped by U.S. practices, which are a negation of the civilised concept of independence and an attempt to put back the hands of the clock in the Arab arena, and in Palestinian soil in particular. This is a blatant challenge of the Arab Will, which cannot be ignored by the Arabs.

It is in Washington's interest to realise that Arab independence of foreign hegemony and intervention in their internal affairs is no less sacred to the Arabs than American independence to the Americans.

If power has blinded successive U.S. administrations to the ethical considerations of justice in their dealings with the Arabs, such blindness will only serve to make the Arabs more determined to struggle to build their strength and unity, to regain their rights and make others deal with them according to the ethical values of justice and the civilised concept of independence.

AL DUSTOUR: The recent Israeli elections are bound to affect Israeli political life for a considerable time to come. Since we are always the main target of aggressive Israeli outbursts, we must always monitor developments within the colonial, racist Zionist entity and draw attention to their possible aggressive results.

Zionist aggressive outbursts have created a political and social upheaval within the Zionist entity itself, thus reducing the traditional Zionist framework into a mere springboard for aggressive practices, and creating differences among Israeli leaders on the timing and form of aggressive attacks. However, there is always complete agreement on the target of these attacks and on waging them continuously.

The raid on the Iraqi nuclear installations is an example of the nature of the attempts to vie in aggressiveness during the Israeli elections. Both the ruling and the opposition parties were in agreement concerning the raid, and each of them was eager to turn it into an election victory, as can be concluded from the statements and speeches made during the Israeli election campaigns. The Israeli prime minister claimed that the raid was necessary to protect the Israelis. The Israeli opposition leader, who had previously been consulted about the raid and had approved it, criticised its timing, but was careful to express support for it and to demand that France refrain from carrying out its commitments to Iraq.

The very close results of the Israeli elections were not conclusive and leave the door wide open for a power conflict based on playing up the extremist Israeli public opinion.

This will increase Israel's aggressive tendencies towards us, and we must be prepared to face acts of Zionist aggression. The Zionist aggressors will not be deterred unless they are made to realise that the price of any adventure they may undertake will be dear.

DE FACTONOMICS

An economic interpretation of Zionism, Part 3

By T.A. Jaber

NOW THAT ZIONISM has managed to establish Israel and colonise all of Palestine as well as other Arab areas, what can the Arabs do to face this colonisation and its widespread impact? What alternatives are open to us?

In assessing alternatives, one should keep in mind the historical developments in the region, his own strength and weakness—as well as those of Zionism which is our final enemy—and the international power struggle.

Backed by the world-wide Zionist movement, Israel has

direct influence on the policy-making process in many countries, particularly in the West. Through military assistance and support, it has built up the most effective military machinery compared with its population size. It has used wars and conflicts to keep its people on alert and to generate more funds and increased Jewish migration from abroad.

Economically, Israel will continue to face difficulties due to its ideological, rather than rational, approach to development. Inflation is excessive, industrial efficiency is

low, the trade deficit continues and the value of its currency is declining. Other problems include unemployment, dependence on American assistance, the lack of social harmony and security matters.

The possible options before us are not many. They range from continued struggle in all areas to peaceful coexistence. However, a major factor in all options is the demographic one. It is in this factor that we have hope, since:

our population growth is much higher than that of Israel, even if we take mig-

ration into account.

- our labour participation rate is on the increase, particularly participation by women,
- university enrolment and literacy in the Arab countries are improving considerably. The know-how gap between ourselves and Israel is narrowing,
- proper training is being institutionalised in the Arab World, which is expected to enhance over time our efficiency.

Our dilemma in the last three decades has been one of

tackling too many issues at the same time. As a developing society, we cannot ignore the need for social and economic development, nor can we afford to postpone it. Though such development enhances our steadfastness against Zionist colonisation, it tends to compete with defence on the available resources. The pattern of development, and not only its speed, also influences our strength. In this regard, we should promote, through our educational system and national guidance, loyalty to the land and social cohesiveness, and minimise consumerism and

encourage team work.

Our fight against Zionism—a long-term issue. In the meantime, Israel is trying to divert our efforts to short-term matters and induce destabilising pressures in the Arab countries. Peaceful settlement worth pursuing only if our political, economic and social rights are attainable. On the other hand, we need to know about the real conflicts which exist in the Zionist society between the Zionist Israelis and others and between the kinazi and Safardi Jews. It is important to know to what these conflicts lead to a serious cause.

A strategy for international banks in the 80s

EDITOR'S NOTE: The following are remarks by Dr. Mohammad Sa'id Nabulsi, the governor of the Central Bank of Jordan, at the annual international banking seminar, organised in Brussels last month by the Belgian bank Societe General.

YOU HAVE BEEN KIND enough to ask me to attempt some crystal-balling for the banking industry during the eighties. A Middle Easterner would have been expected to be prognostic about, perhaps, energy. To speak about banking in Brussels is to profess about camel raising in a desert by a New Yorker or a Parisian. Yet oil money and oilistics have extended some qualifications to Arab bankers. Being one of those bankers who live in the shade of oil income, I shall venture few futuristic ideas.

There are three main considerations which international banks cannot disregard when drawing up a strategy for the 1980's. These are: the process of recycling surplus funds, the needs of developing countries and world inflation.

The process of recycling

It is often taken for granted that the world economy has been able to adjust, following the first and the second oil price waves, thanks to several favourable factors, but mainly to the important recycling role of the international banking system. However, this was assisted by favourable economic circumstances at the time of the so-called first shock. These were:

- The 1974-75 recession reduced lending opportunities to industrial countries;
- Rates of interest were low enough to maintain the manageability of the debt burden.
- Recourse of the industrial countries to the international bond market (which grew substantially) made more funds available for lending to developing countries by international banks.

Comparing the situation following the second oil shock with the situation in 1973-74, we find some unfavourable factors in the present situation, namely:

- Prudential concerns on the part of international banks regarding their capital/ assets and a relative maturity structure of their assets and liabilities.
- Assets of commercial banks have not grown at the same pace as their foreign lending.
- Concern on the part of banks regarding the credit worthiness of certain developing countries and their ability to continue servicing their foreign debts.
- Banks' exposure to a number of countries is now much larger than it was in 1974. Banks feel they have reached the limit of their lending to many countries.
- On top of these prudential concerns, regulatory agencies might interfere to limit the lending operations of banks for certain sectors or countries.
- Banks now see that the "political risk" is greater than it was in 1974.
- In 1973-74 period, about two thirds of the surplus funds were generated from the deficits of industrial countries; now 60 per cent of the surplus comes from the accumulating deficits of developing countries. Hence, there is now a greater need to recycle funds back to developing countries.

Needs of developing countries

It is extremely difficult to predict growth trends in the eighties. One thing, however, is certain, and that is the fact that most non-oil developing nat-

ions have nothing to be happy about concerning the prospects of growth during the next decade. The following points are noteworthy:

- Low rates of growth in industrial countries are adversely affecting growth prospects in developing countries.
- Current account deficits of non-oil developing countries are expected to persist in large amounts throughout the first half of the 1980's. In 1979, these deficits amounted to \$58 billion, in 1980 they were estimated at \$80 billion and they are projected to reach \$97 billion in 1981.
- As 60 per cent of surplus funds are coming from developing countries, there is an urgent need to increase the flow of concessional and non-concessional funds to these countries in order to assist the process of smooth structural adjustment over a number of years.
- To continue functioning and to meet the high hopes that have been attached to international banks within the world banking and monetary system, the globality and universality of the system should be strengthened and enhanced. This, necessarily involves:

- (a) the need to facilitate access of the developing countries into international capital markets and even preferential treatment therein;
- (b) the need of oil-exporting developing countries to find new avenues for long-term investments in industrial and developing countries;
- (c) the need to expand and promote the collective financing trends based on more syndicated efforts.

World inflation

Without being dogmatic, the roots of present-day inflation extend beyond the monetary soil. I do not wish, at this moment, to commit myself to a stereotyped camp of monetarism or non-monetarism. In our part of the world, we have been importing inflation during the seventies from the industrialised world or from the neighbouring oil producers, without trying to examine the country of origin. The intriguing question is: To what extent, if any, have international banks contributed, or deterred, world inflation? One may recall the following points:

- Credit policies of international banks can add fuel to (or combat) inflation by increasing (or decreasing) bank credit facilities to the public and private sectors which finance the increase in wages, costs and prices. The more so that these facilities are not subject to significant reserve requirements.
- The period 1973-79 witnessed substantial increases in international reserves, which reached \$731 billion, rising from \$191 to \$222 billion, i.e. at an average annual rate of 25 per cent, which is twice the rate of increase in international trade or production at constant prices.
- The oil price explosion which took place in late 1973 cannot be blamed alone for the monetary chaos which followed the termination of the dollar's link to gold, or the doubling of international reserves in the three years between 1970 and 1972.
- Almost four fifths of the increase in international reserves resulted from the rise in

the price of gold and Special Drawing Rights (SDRs) vis-a-vis the dollar. Thus, a great part of the increase in international reserves valued in dollars reflects book-keeping profits rather than the cost of obtaining such reserves. It also reflects the inflationary impact of aggregate reserves caused by expansionary monetary policies.

In 1972, two thirds of international reserves were liabilities on the American government; in 1979 the ratio fell to 55 per cent. This shows the ability of the American economy to finance its deficits through the use of the dollar as an international reserve currency. Few realise the inflationary impact of this process. The other side of this coin, evidently, is the phenomenal growth of the Euro-currency market.

Elements of a strategy

Before discussing elements of a strategy of international banks for the 1980s, one must point out two factors which are becoming universally accepted.

First, the mutual interdependence of developed and developing countries. Few people now dispute the fact that the attainment of growth and full employment in the developed countries depends on the ability of developing countries to achieve respectable rates of growth and vice versa. The circulating "vogue" that international banks suffer from a high exposure risk in developing countries is not only unwarranted but also false. Total debt of the non-oil developing countries is absolutely insignificant, relative to the aggregate debts of the industrial countries, and certainly constitutes a very small ratio of the total risk exposure.

Second, the responsibility of institutions towards the community in which they function. In the domestic sphere, the idea that local institutions should subject the pure profit motive to the interest of the community has gained wide acceptance in Western Europe and the United States. In the international sphere. On a less lofty level, one can point out that international banks, in view of the funds already committed in developing countries, have a vested interest in the economic well-being of these countries. Therefore, every effort should be made in order not to drive any country to the edge of default. I think that the understanding shown by all in the recent case of rescheduling Poland's debts is a case in point.

Any serious attempt to combat inflation should not overlook two important factors stemming out of the international activities of money market, namely:

- Extraordinary financing of deficits in the reserve currency countries, especially the U.S.;
- Extraordinary growth in private financing through the Euro-currency market, which is based on the dollar.

I am not sure that one would really want to check in any way the mushrooming activities of the Euro-market and its related institutions, or to control it in accordance with some of the extreme ideas circulating around. In fact, this market has more than been accepted and justified, particularly in view of the following:

- Monetary authorities can take account of the market size and tighten domestic monetary

aggregates accordingly. The U.S. does this. Also, interest rate policy utilised in the same way to influence growth.

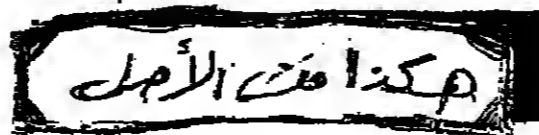
- The Euro-currency market grew as a sequence of too much regulation of domestic markets. Its growth, therefore, can be encouraged by reducing its attractiveness through liberalising conditions in domestic markets, e.g. reserve requirements, payment of interest ...etc.
- Joint action by central banks in major industrial countries and in co-operation with international banks can also restrain or stimulate the growth of the market.
- International surveillance of the market by IMF, if need be, can be devised and implemented with a view of affecting and ordering growth of the market. Naturally, this calls for full cooperation by international banks.

Financial institutions in oil-exporting developing countries, especially the Arab countries should be mobilised also to assist as vehicles for development. Traditional commercial bank business should be, and is being, coupled with development finance in all its modern forms. This, international banks can help through providing expertise and more directly through partnerships and joint ventures.

On the other hand, both industrial and developing countries are called upon to provide outlets for surplus funds which are usually beneficial and which would not burden investor with cumbersome regulations. As international banks are concerned, I would like to see them substantially strengthen their operations by taking in partners from surplus countries which face international banks in lending to developing countries, there must be some form of guarantee offered either by a regional or a multilateral institution formed for this purpose. This may prove to be the key to further development efforts and the only available route for effective cooperation between international concessionary agencies and international banks. It is also the only avenue to face the alarming trend in some industrialised countries to curtail development nations.

Cooperation in the 1980s between international banks and official international institutions (such as the IMF, IBRD and IDA) and official regional banks (such as the development banks for Asia, Africa and Latin America) must take many other forms: co-financing, guaranteeing in portfolio instruments of official financial institutions and their loan certificates, and some of these forms. In fact, some of these are already being practised and it is heartening to learn that these official institutions are exploring avenues of cooperation with international banks.

On the other hand the 1980s are going to be a decade of investment in energy projects and programmes. Here, international banks can play a major (and welcome) role, perhaps in cooperation with OPEC countries and/or the World Bank, which has taken a serious interest in providing finance for the world energy sector. It is useful to remember that the financial requirements for investment in the energy field in oil-importing countries are estimated at \$275 billion for the first five years of the 1980s.



MIDDLE EAST

Former U.S. ambassador to U.N. says Reagan subserves communism

BEIRUT, July 5 (R) — Mr. Donald McHenry, former United States ambassador to the United Nations, described the Reagan administration's philosophy as an ideological straitjacket in an interview published here today.

He was quoted as telling the Beirut English language weekly "Monday Morning" that in its zeal to oppose communism the administration was taking steps which, ironically, helped to promote it.

In his abhorrence of communism, he wants to put everything in that ideological straitjacket," he said.

The American diplomat, who served at the U.N. during the presidency of Mr. Jimmy Carter, said Mr. Reagan did not yet have a foreign policy, only "prejudicialist ideas... which clash with the world he is finding."

Mr. McHenry particularly criticised the Reagan administration view that instability in the Middle East and El Salvador was fomented in Moscow.

"The key to unrest in El Salvador can be found not in the Cubans or the Soviets but in the injustice there... the situation in Lebanon and the bombing of Iraq's nuclear installation are both indications of a problem that has nothing to do with the Soviet Union," he said.

Mr. McHenry criticised Israel for its June 7 raid on the Iraqi nuclear reactor, saying that to condone it meant a return to the law of the jungle, where an elastic interpretation of self-defence could justify anything.

"The Israeli action is the kind that promises turmoil, in my judgment... and I don't think a (U.N.) resolution commonly seen as a piece of paper is going to resurrect U.S. credibility," he said.



Donald McHenry

Mr. McHenry said he thought the Camp David peace process between the U.S., Egypt and Israel had failed because it excluded the Palestinians.

Libya, South Yemen hold talks

BEIRUT, July 5 (R) — South Yemeni President Ali Nasser Mohammad met Libyan leader Muammar Qadhafi in Tripoli yesterday evening, the official Libyan Jamahiriya news agency (JANA) reported today.

Libyan number two Abdel Salam Jalloud and Brig. Abou Bakr Younis, commander of the Libyan armed forces, were also at the meeting, JANA said.

The agency gave no details of Mr. Nasser Mohammad's visit to Libya.

Lusaka meeting adjourned

LUSAKA, July 5 (R) — Non-aligned Movement ministerial talks on efforts to end the Iran-Iraq war adjourned today to allow delegates a chance to visit Victoria Falls on the Zambezi River in southern Zambia, conference sources said.

Foreign ministers Mr. Isidoro Malmierca Peoll of Cuba, Mr. Narasimha Rao of India and Dr. Lameck Goma of Zambia and Mr. Zehdi Labib Terzi, Palestine Liberation Organisation (PLO) representative at the United Nations, were expected to resume their meeting tomorrow.

The sources declined to comment on what had been discussed so far at the talks, which opened yesterday at the invitation of Dr. Goma. They said a final statement would probably be issued tomorrow.

Search for Bani-Sadr goes on as Iran finds new foreign minister

BEIRUT, July 5 (A.P.) — Islamic revolutionary guards engaged in a six-hour gun battle in Tehran today with the leftist Mujahedeen guerrillas. Iran's official Pars news agency reported three leftists were killed and two captured.

Firing squads executed 10 more persons, including four "counter-revolutionaries" and six drug smugglers outside the capital. Tehran radio reported, in an on-going crackdown on opponents of the regime which began after Dr. Abol Hassan Bani-Sadr was stripped of the presidency by Iran's parliament on June 21.

The parliament, known as the Majlis, approved the appointment of Mr. Hussein Musavi Khamene'i as foreign minister by a vote of 126 to 5 with 33 abstentions. He was nominated by Prime Minister Mohammad Ali Raja'i, whose candidates in the past were repeatedly blocked by Dr. Bani-Sadr, who labelled Mr. Raja'i "incompetent."

Mr. Hussein Musavi, 35, is a bearded former fabric salesman in Tehran's vast bazaar who earned his revolutionary credentials by organising fund raising drives for Ayatollah Ruhollah Khomeini before the overthrow of the monarchy in February 1979. After the revolution, he was a journalist for the short-lived Ayandagan newspaper and editor of the Islamic Republic, the daily newspaper of the clergy led Islamic Republican Party which ousted the ouster of Dr. Bani-Sadr.

Observers in Tehran quoted usually reliable Kurdish sources as saying a message was broadcast July 2 by the clandestine radio of the Kurdish Democratic Party (KDP) quoting Dr. Bani-Sadr as calling for the nation of 36 million to "resist tyranny" and asking for the support of the people.

Dr. Bani-Sadr has been on the run from his fundamentalist opponents since Ayatollah Khomeini removed him as chief of Iran's armed forces. He was last seen in public June 12. The Kurdish sources, who declined to be mentioned by name, said Dr. Bani-Sadr was hiding in northern Kurdistan province near the border with Turkey. They said he was under the protection of the nomadic Ivart tribe of Kurds, non-Persian members of the minority Sunni Muslim sect in Iran who seek autonomy for their region.

After the clandestine broadcast, observers in Tehran said about 1,200 revolutionary guards loyal to Ayatollah Khomeini conducted a village-to-village sweep in search of the ex-president.

The weekly London-based magazine "8 Days" said it interviewed Dr. Bani-Sadr last month in Kurdistan where it said he was being protected by KDP leader Abdul Rahman Ghassemlou and members of the Mujahedeen Khalq.

Iran's fundamentalist government blamed leftist

supporters of the ex-president—in particular the Mujahedeen Khalq and the Fedayeen Khalq—for street clashes that followed Dr. Bani-Sadr's impeachment and for a bomb blast one week ago that killed IRP leader Ayatollah Mohammad Hussein Beheshti and 71 other government officials, parliament deputies and IRP members.

A police captain quoted by observers in Tehran said that 1,500 leftists had been arrested since the street clashes in late June.

The executions reported today brought the total number of government opponents put to death by firing squads at more than 100 in the past two weeks.

Tehran radio said Islamic revolutionary courts in Isfahan 300 kilometres south of Tehran and condemned two men and two women to death for "armed uprising against the Islamic republic." Six heroin smugglers were executed in Kerman, 750 kilometres southeast of the capital.

The official Pars news agency said that 13 persons in a half-dozen Iranian cities had been executed by firing squads over the weekend, including two members of the Mujahedeen Khalq group charged with "beating Muslim people" and using deadly weapons in the Mazandaran province city of Ramsar.

Pars said that revolutionary guards stormed a hideout of the Mujahedeen Khalq on Palestine Street in Tehran during the early morning hours today and a six-hour shootout ensued. The news agency said two of the three leftist killed beat themselves up with a hand grenade. The agency said three persons escaped, two were captured and one revolutionary guard was wounded.

Pars said that a number of books and weapons were seized in the basement of the apartment building.

Tehran radio said another member of the Mujahedeen Khalq, a group which mixes Marxism with Islam, was shot to death in the streets of the Caspian Sea city of Babol north of Tehran while attempting to flee revolutionary guards yesterday.

Meanwhile, Tehran residents reported that motorcycle-riding "Hezbollahis," members of the pro-clergy "Party of God," rode through the streets of the capital shouting "Death to Bani-Sadr" and "Death to counter-revolutionaries."

The militant fundamentalists also dispensed lashings at women who were not wearing veils and men caught smoking in public places during the holy Muslim month of Ramadan when Muslims in Iran and elsewhere are enjoined from smoking, drinking or eating in a dawn-to-dusk fast, the observers said.

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Kuwaiti team in Moscow shopping for Soviet arms

KUWAIT, July 5 (A.P.) — The government of Kuwait sent a military team on an arms shopping visit to the Soviet Union, a cabinet minister revealed today.

The team has been "acquainting themselves with sophisticated Soviet weaponry", said minister of state for cabinet affairs, Mr. Abdel Aziz Hussein, after a cabinet session.

He did not elaborate. But official sources said the team went to Moscow a week ago.

Mr. Hussein told reporters the visit was in line with Kuwait's stated policy to diversify the sources of its weapons.

Kuwait has been buying arms from the Soviet Union since mid-1970s.

The Kuwaiti armed forces paraded their Soviet-made weapons during independence day celebrations here last February. These included 90-kilometre range ground-to-ground Luna missiles and other types of hardware.

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